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# HOUSE BILL No. 1229

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3.1-32.2.

**Synopsis:** Fresh start income tax credit. Establishes a state income tax credit for a taxpayer that employs an individual who within the preceding four years was either: (1) convicted of a felony; or (2) released from incarceration for conviction of a felony. Provides that the amount of the credit each taxable year is \$500 per qualifying employee.

**Effective:** January 1, 2009.

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January 14, 2008, read first time and referred to Committee on Ways and Means.

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Introduced

Second Regular Session 115th General Assembly (2008)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2007 Regular Session of the General Assembly.

## HOUSE BILL No. 1229

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-3.1-32.2 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2009]:

4 **Chapter 32.2. Fresh Start Tax Credit**

5 **Sec. 1. As used in this chapter, "felony" has the meaning set**  
6 **forth in IC 33-23-1-5.**

7 **Sec. 2. As used in this chapter, "full-time basis" means at least**  
8 **thirty (30) hours per week.**

9 **Sec. 3. As used in this chapter, "pass through entity" means the**  
10 **following:**

11 (1) A corporation that is exempt from the adjusted gross  
12 income tax under IC 6-3-2-2.8(2).

13 (2) A partnership.

14 (3) A limited liability company.

15 (4) A limited liability partnership.

16 **Sec. 4. As used in this chapter, "qualified employee" as of a**  
17 **specified date means an individual who was either:**



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(1) convicted of a felony; or  
 (2) released from incarceration for conviction of a felony;  
 within the immediately preceding four (4) years from the specified  
 date.

**Sec. 5.** As used in this chapter, "state tax liability" means a taxpayer's total tax liability that is incurred under:

- (1) IC 6-3-1 through IC 6-3-7 (the adjusted gross income tax);
- (2) IC 6-5.5 (the financial institutions tax); and
- (3) IC 27-1-18-2 (the insurance premiums tax);

as computed after the application of the credits that under IC 6-3.1-1-2 are to be applied before the credit provided by this chapter.

**Sec. 6.** As used in this chapter, "taxpayer" means an individual or entity that has state tax liability.

**Sec. 7. (a)** Each taxable year, a taxpayer is entitled to a credit against the taxpayer's state tax liability for employing one (1) or more qualified employees on a full-time basis during the taxable year.

**(b)** For each taxable year, the amount of the credit provided by subsection (a) is an amount equal to:

- (1) five hundred dollars (\$500); multiplied by
- (2) the number of person years that a taxpayer employs one (1) or more qualified employees on a full-time basis during the taxable year, as determined in subsection (c).

**(c)** The number of person years that a taxpayer employs one (1) or more qualified employees on a full-time basis during a taxable year is the amount determined under STEP THREE of the following formula:

**STEP ONE:** For each qualified employee employed by the taxpayer during the taxable year, determine the number of full months during the taxable year that the taxpayer employed the qualified employee on a full-time basis.

**STEP TWO:** Determine the sum of the STEP ONE results.

**STEP THREE:** Divide:

- (A) the STEP TWO result; by
- (B) twelve (12).

**Sec. 8. (a)** If the credit provided by this chapter exceeds the taxpayer's state tax liability for the taxable year for which the credit is first claimed, the excess may be carried forward to succeeding taxable years and used as a credit against the taxpayer's state tax liability during those taxable years. Each time that the credit is carried forward to a succeeding taxable year, the

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1 credit is to be reduced by the amount that was used as a credit  
 2 during the immediately preceding taxable year. The credit  
 3 provided by this chapter may be carried forward and applied to  
 4 succeeding taxable years for nine (9) taxable years following the  
 5 taxable year in which the credit is originally claimed.

6 (b) A taxpayer is not entitled to any carryback or refund of any  
 7 unused credit.

8 **Sec. 9.** If a pass through entity does not have state tax liability  
 9 against which the credit granted by this chapter may be applied, a  
 10 shareholder, partner, or member of the pass through entity is  
 11 entitled to a credit equal to:

12 (1) the credit determined for the pass through entity for the  
 13 taxable year; multiplied by

14 (2) the percentage of the pass through entity's distributive  
 15 income to which the shareholder, partner, or member is  
 16 entitled.

17 **Sec. 10.** To obtain a credit under this chapter, a taxpayer must  
 18 claim the credit in the manner prescribed by the department. The  
 19 taxpayer shall submit to the department all information that the  
 20 department determines is necessary to calculate the credit  
 21 provided by this chapter.

22 **SECTION 2.** [EFFECTIVE JANUARY 1, 2009] IC 6-3.1-32.2, as  
 23 added by this act, applies only to taxable years that begin after  
 24 December 31, 2008.

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